

ORCAS POWER & LIGHT COOPERATIVE

2016 End of Year Financials



MEMORANDUM

Date: March 10, 2017
To: Board of Directors
From: Foster Hildreth, General Manager
Re: 2016 Year-end Financial Review

In March of each year, we review the prior year financials. We ended 2016 in great shape, well within our loan covenants and having accomplished our mission statement of providing safe, reliable, cost effective, and environmentally sensitive utility services while reducing overall expense.

A full summary of our positive financial position at year end with budget to actual follows and here is a brief snapshot of our year-end results compared to budget:

- Revenue up 1.6%
- Overall expense down ~1.5%
- Margin \$3.1M
- TIER 3.24
- Equity as a % of total capitalization: 48.7%
- Borrowing reduced to \$8.7M because of early RIC loan repayment

We achieved progress in completing significant grid modernization projects to prepare us for the future, making prudent use of member resources and making smart decisions today to position our Co-op for a sustainable and efficient tomorrow. A snapshot of capital projects completed:

- ~24 miles of power line installed
- ~15 miles of which replaced aging underground conductor
- ~10 miles of fiber optic cable installed
- ~85% complete with our push to expand our communications infrastructure

We are happy to report that our actual 2016 year-end results produce an even more positive position for our 2017 OPALCO budget.

Executive Summary

The 2016 budget was designed to follow our primary mission statement of providing safe, reliable, cost effective and environmentally sensitive utility services. Our secondary mission is to continue to modernize the grid where prudent and make smart decisions today to position our Co-op for a more sustainable and affordable tomorrow. The result of the 2016 year-end review illustrates our reliable operation of a system in one of the more challenging marine environment while maintaining our grid, undergoing planning effort for installation of a \$15M submarine cable, and forecasting energy usage patterns during transitional weather period.

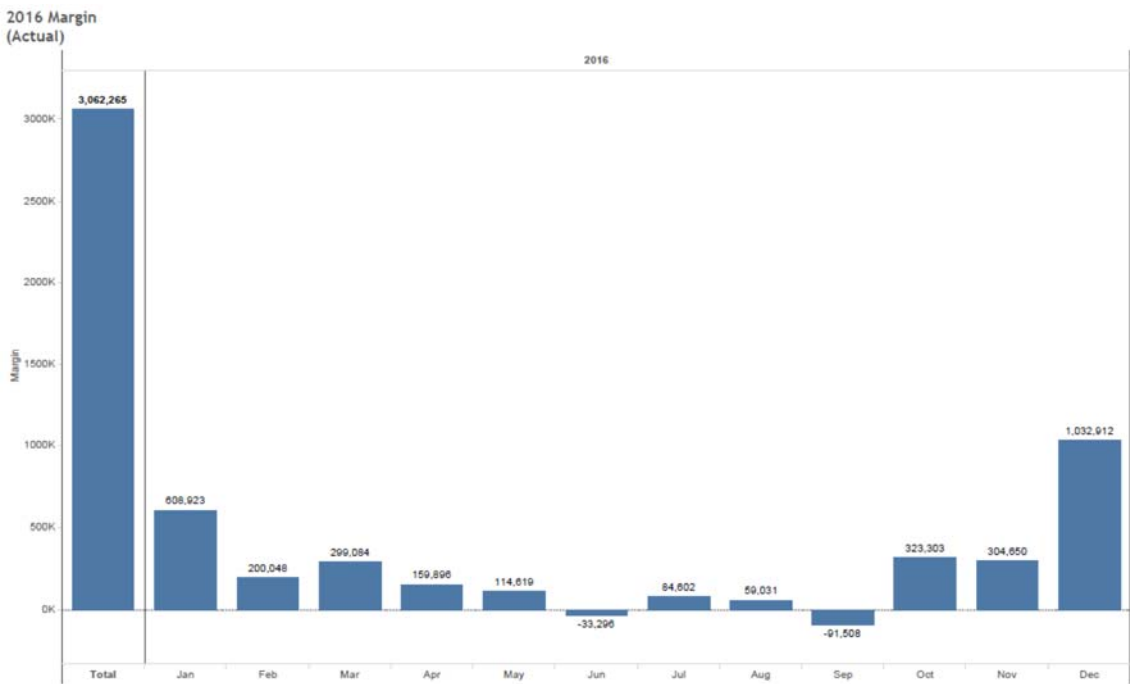
Full financial details are included in the attached 2016 Year-End Financial Report.

Key Highlights:

- **Overall:** 2016 was a financially positive and productive year for OPALCO, ending with healthy sales, margin, equity and TIER measures. We maintained service levels while reducing expense and achieving significant progress on our long-term goals. Financial budget targets tracked very closely across the board and due to some favorable circumstances (such as a more predictable weather, low interest rate refinancing and cost reductions through competitive bidding negotiations) we were able to cut more costs.
- **Load Forecast:** Despite the unpredictability of weather, our energy usage projections were as budgeted. Our load peaks in the winter, and our projections depend on cold temperatures at year-end. Unlike the previous two record warm winters, we saw very cold temperatures in October and December. This marked a swing from an El Niño pattern to a La Niña pattern. Based on this pattern shift late in the year, we saw greater sales yet the annual heating degree days (HDDs) measure was lower than anticipated.

	Energy Sales (MWh)	Heating Degree Days (HDD)
Budget	24,403	1050
Actual	24,534	983
Variance (Actual-Budget)	131	(67)

Below please find the cumulative margin. It is interesting to note the impact of the winter months (Q4) on the final margin.



- **Revenue:** Budgeted revenue 1.6% higher due to the weather pattern shift that began in December.

	Revenue (thousands)
Budget	24,833
Actual	25,249
Variance (Actual-Budget)	416

- **Power Cost:** Based on expectations of lower demand charges due to the fewer temperature extremes, we predicted our power costs to slightly drop. The cost of power actually increased slightly for an overall budget variance of ~4%. The primary factor (half of the total variance) was high kWh consumption in December 2016.

	Energy Purchases (MWh)	Power Cost (thousands)
Budget	200,136	\$ 7,625
Actual	208,313	7,943
Variance (Actual-Budget)	8,177	318

- **Capital Projects:** Approximately 24 miles of power line was installed in 2016, 15 of which was replacement of aging underground conductor. Approximately 10 miles of fiber optic cable was installed as a part of our Smart Grid expansion efforts. There are various reasons construction costs may fluctuate, but these are balanced throughout the year and, without including the submarine cable variance (see footnote 2), our capital projects spending variance was \$300K or a very reasonable 3% over budget for the year.

	Distribution ¹ (thousands)	Transmission ² (thousands)	Other ³ (thousands)	Total (thousands)
Budget	\$ 7,002	\$ 3,625	\$ 879	\$ 11,506
Actual	7,021	6,298	1,167	14,486
Variance (Actual-Budget)	19	2,673	288	2,980

1. Minor Projects and CIAC categories are combined in the Distribution category due to the nature of these projects.
2. Due to contractual delays, progress payments to Sumitomo were paid in 2016 in lieu of Nov & Dec 2015, resulting in a ~\$3M variance for both years expenditures. We are pleased to say the project is moving along on schedule.
3. Board approved (February 2016) up to \$100k in additional budget funding for security measures to the Eastsound Office. There was also an unexpected service truck replacement required.

- **Energy Savings:** Energy rebate programs were scaled back compared to our initial budget due to slower member submittals than anticipated, as well as uncertainty about the availability of BPA EEI funding. Community solar marketing costs were also delayed to 2017 in order to focus on the submarine cable replacement project, and the Opportunity Council delayed their low-income program contract to 2017.
- **General Inflation:** Budgeted at 3% for 2016. Per the Bureau of Labor Statistics January 2017 release, the inflation rate for ‘all items less food and energy’ started the year with 2.8% and ended the year at 3.1%.
- **Labor:** The general wage increase was budgeted in line with the Collective Bargaining Agreement. Actual wage increase was right on budget at +2%. We ended 2016 with 49 FTEs (full-time employees) versus our budget of 51 due to several partial-year vacancies.
- **Margin, TIER, & Equity:**

- **Margin:** 2016 margin was \$3.1M versus the budgeted \$2.0M. Primary factors included: higher sales than budgeted (see above); lower interest expense due to refinancing & reduced borrowings; lower depreciation; retooled our energy savings programs in line with our IRP (see above), and lower overall G&A costs.
- **TIER:** TIER was 3.24 versus budget of 2.18. This was due to a higher margin (described above) and favorable loan interest rates.
- **Equity:** Our equity as a % of total capitalization ended at 48.7% versus the budget of 45.5%. The favorable variance comes from reduced budget borrowings, primarily due to RIC refinancing debt earlier than budgeted, and a higher margin.

	Margin (thousands)	TIER	Equity (%)
Budget	1,979	2.20	45.5
Actual	3,062	3.24	48.7
Variance (Actual-Budget)	1,083		

- **Debt:** In 2016, the total year-end debt is lower than budgeted at \$41.4M. As a result of the early loan repayment (RIC), overall borrowings were reduced by \$4.5M in 2016; note that \$3M was used to pay for the scheduling shift in submarine cable payment (see Capital Projects Summary). RUS rates were also favorable, averaging around 2.5% rather than the budgeted 3%. Several RUS loans were refinanced to CFC in Dec 2015 (after 2016 budget was set) which when combined with the reduced borrowings resulted in lower interest expense (\$265k) than budgeted. This item drives much of the favorable variances we saw in TIER, equity % and margin for 2016.

	2016 Borrowings (thousands)
Budget	13,200
Actual	8,700
Variance (Actual-Budget)	(4,500)

Looking Forward to 2017 and beyond:

The OPALCO 2017 Budget was based on the first three quarters of 2016 actual results, along with a projection of the 2016 fourth quarter. Our projected 2016 year-end revenues were lower by less than 1% and year-end operating expenditures were lower by ~1.5% of the 2016 actual results, even though we experienced a much colder fourth quarter. The actual year-end results produce an even more positive position for our 2017 OPALCO Budget.

	Projected (thousands)	Actual (thousands)	Variance (thousands)
Revenue	25,268	25,249	(19)
Expense/Other	22,530	22,187	343
Margin	2,738	3,062	324

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS

	A. Audited Year End 12/31/2012	B. Audited Year End 12/31/2013	C. Audited Year End 12/31/2014	D. Audited Year End 12/31/2015	E. Budget Year End 12/31/2016	F. Actual Period End 12/31/2016	G. Budget Variance (F - E)
1 OPERATING REVENUES							
2 Residential	\$ 14,861,010	\$ 15,598,797	\$ 15,913,325	\$ 17,694,706	\$ 17,744,698	\$ 18,104,756	360,058
3 Commercial	5,260,451	5,467,588	5,694,901	6,356,143	6,701,511	6,463,561	(237,951)
4 Other	296,764	364,892	420,798	531,069	386,946	680,713	293,767
5 Total operating revenue	20,418,225	21,431,278	22,029,025	24,581,918	24,833,155	25,249,029	415,875
6							
7 OPERATING EXPENSES							
8 Cost of power	7,240,696	7,514,128	8,037,428	7,787,142	7,624,980	7,942,885	317,905
9 Transmission	126,986	70,117	92,874	179,264	53,560	94,462	40,902
10 Distribution - operations	2,805,586	2,968,003	2,961,250	3,391,150	3,420,263	3,215,893	(204,370)
11 Distribution - maintenance	1,518,742	1,669,524	1,778,516	1,713,924	1,702,147	1,692,345	(9,801)
12 Consumer accounts	809,149	853,211	898,198	893,766	930,975	947,326	16,351
13							
14 General and administration							
15 Administration	2,799,833	2,718,889	2,822,439	2,950,777	3,058,886	2,787,995	(270,891)
16 Energy services	276,269	462,966	373,323	658,939	410,376	103,671	(306,705)
17 Subsidiary charges (RIC network mgt services)	-	-	-	29,100	-	34,920	34,920
18 Total general and administration	3,076,102	3,181,855	3,195,763	3,638,816	3,469,262	2,926,586	(542,676)
19							
20 Depreciation and amortization	2,652,194	2,719,560	2,975,650	3,308,154	3,673,019	3,546,977	(126,042)
21 Taxes	832,220	930,482	961,815	1,046,626	1,028,086	1,137,058	108,971
22							
23 Total operating expenses	19,061,677	19,906,881	20,901,493	21,958,841	21,902,293	21,503,532	(398,760)
24							
25 Operating margins before fixed charges	1,356,548	1,524,397	1,127,532	2,623,077	2,930,862	3,745,497	814,635
26							
27 FIXED CHARGES							
28 Interest on long-term debt	759,686	786,193	908,934	1,047,248	1,360,588	1,095,316	(265,273)
29 Other Interest	-	-	-	-	-	-	-
30							
31 Total fixed charges	759,686	786,193	908,934	1,047,248	1,360,588	1,095,316	(265,273)
32							
33 Operating margins after fixed charges	596,861	738,204	218,598	1,575,829	1,570,274	2,650,181	1,079,907
34							
35 PATRONAGE CAPITAL CREDITS	40,416	38,048	67,853	83,608	56,051	81,361	25,310
36							
37 Net operating margins	637,277	776,252	286,451	1,659,437	1,626,325	2,731,543	1,105,218
38							
39 NON-OPERATING MARGINS							
40 Interest income	32,228	33,261	32,130	127,804	28,907	36,286	7,380
41 Other income	21,995	46,893	23,458	71,081	20,381	25,084	4,703
42 Total Opalco non-operating margins	54,222	80,154	55,588	198,886	49,288	61,370	12,083
43							
44 Fiber Optics Division (Island Network Department)							
45 IN Income	348,119	388,117	519,819	-	-	-	-
46 IN Expenses	225,095	273,006	739,907	-	-	-	-
47 Total Fiber Optics Division	123,024	115,111	(220,088)	-	-	-	-
48							
49 Non-operating margins from Subsidiary							
50 Interest Income (RIC loan)	-	-	-	-	303,383	181,471	(121,912)
51 Other income (use of OPALCO backbone)	-	-	-	-	-	87,873	87,873
52 Total non-operating margins from Subsidiary	-	-	-	-	303,383	269,344	(34,039)
53							
54 Net non-operating margins	177,246	195,265	(164,500)	198,886	352,670	330,715	(21,956)
55							
56 NET MARGINS	\$ 814,524	\$ 971,518	\$ 121,951	\$ 1,858,322	\$ 1,978,995	\$ 3,062,257	1,083,262
57							
58 TIER	2.07	2.24	1.13	2.51	2.20	3.24	1.05
59 Equity % of Total Cap	72.1%	69.5%	61.3%	53.3%	45.5%	48.7%	3.2%

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS BUDGET TO ACTUAL
DETAILED BREAKOUT OF NOTABLE DRIVERS

	A.	B.	C.	D.
	Budget	Actual	Budget	
	Period End	Period End	Variance	
	12/31/2016	12/31/2016	(B - A)	Comments: Budget To Actual (Column C.)
1	24,833,155	25,249,030	415,875	Increase in income - less than 2% variance within budget
2				
3				
4	21,902,293	21,503,532	(398,761)	Overall decrease in operating expenses
5				
6	7,624,980	7,942,885	317,905	Increase in expense
7				
8			317,905	Increase in power purchase - 4% variance within budget
9			317,905	
10				
11	53,560	94,462	40,902	Increase in expense
12			32,250	Increase in labor due to Lopez to Decatur submarine cable outage
13			8,652	Variance among multiple general ledger accounts (9 accounts)
14			40,902	
15				
16	3,420,263	3,215,893	(204,370)	Decrease in expense
17			53,136	Replaced of failed relay and load tap changer (Orcas)
18			(44,333)	Labor shifted to capitalized projects and reduced training (~\$10k)
19			(127,043)	Vacant Meter Tech position and labor offset due to capitalization of new meters purchased
20			(53,240)	Gap in Work Order Clerk position, labor shifted to capitalized projects, delayed training, CWP
				Environmental Report to be completed in 2017
21			(32,890)	Variance among multiple general ledger accounts (14 accounts)
22			(204,370)	
23				
24	1,702,147	1,692,345	(9,802)	Decrease in expense
25			40,819	Replaced three failed reclosers
26			(77,585)	Right of Way expense savings due to competitive bidding process
27			27,314	Unanticipated street light maintenance (Town of Friday Harbor)
28			(18,554)	Vacant Meter Technician position
29			18,204	Variance among multiple general ledger accounts (7 accounts)
30			(9,802)	
31				
32	930,975	947,326	16,351	Increase in expense
33				
34	3,469,262	2,926,586	(542,676)	Decrease in expense
35				
36	3,058,886	2,787,995	(270,891)	Decrease in expense
37			(31,761)	Fewer employment ads and performed design work in-house
38			(87,690)	Reduction in personnel and delayed training
39			(16,900)	Less legal expense

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STATEMENT OF OPERATIONS BUDGET TO ACTUAL
DETAILED BREAKOUT OF NOTABLE DRIVERS

		A.	B.	C.	D.
		Budget	Actual	Budget	
		Period End	Period End	Variance	
		12/31/2016	12/31/2016	(B - A)	Comments: Budget To Actual (Column C.)
40	Outside Services			(67,284)	Reduced outside consulting services
41	Director's Fee & Expenses			(10,138)	Vacant Board position (4 months) and lower Board expenses
42	Misc. BOD Contingency - Industry Groups			(15,037)	Reduced industry group meeting attendance
43	Misc. Gen Exp/Manager			(20,342)	Reduced GM training and travel
44	Misc. Gen Exp/Annual Meeting			11,903	Expense for new candidate forums
45	Multiple Accounts			(33,642)	Variance among multiple general ledger accounts (10 accounts)
46			Subtotal Administration G&A	(270,891)	
47					
48	Energy Services G&A - Line 16	410,376	103,671	(306,705)	Decrease in expense
49	General Overhead Expenses			(53,730)	Reduced outside consulting, training, and travel. Shift in labor partially offset in Consumer Accounts (line 32)
50	Renewable Energy Programs			(25,253)	Shifted efforts to take advantage of WA Dept. of Commerce battery grant, community solar planning pushed to 2017
51	BPA Rebates			(136,040)	Scaled back rebates due to uncertainty of available EEI funding
52	BPA EEI Funding			(29,540)	Next round of funding available in October of 2017
53	Energy Snapshot Program Expense			(30,173)	Snapshot take rate slower than budgeted
54	BPA Low Income Programs			(35,221)	Per Opportunity Council request, contract moved to 2017
55	Multiple Accounts			3,252	Variance among multiple general ledger accounts (5 accounts)
56			Subtotal Energy Services G&A	(306,705)	
57					
58	Subsidiary Charges G&A - Line 17	0	34,920	34,920	Increase in expense
59	Fiber Charge - Subsidiary			34,920	Amount represents OPALCO use of RIC's internet services (off set by Other Income on line 84)
60			Subtotal Subsidiary Charges G&A	34,920	
61					
62	Total General and Administrative (G&A)	3,469,262	2,926,586	(542,676)	Overall decrease in expense
63					
64	Deprec. & Amort. - Line 20	3,673,019	3,546,977	(126,042)	Decrease in expense
65					
66	Taxes - Line 21	1,028,086	1,137,058	108,972	Increase in expense - Utility tax and property tax higher than anticipated
67					
68		TOTAL OPERATING EXPENSES	21,902,292	21,503,532	Overall decrease in expense
69					
70					
71	III FIXED CHARGES - Interest Expense - Line 27	1,360,588	1,095,316	(265,272)	Decrease in expense - Interest expense is lower due to refinancing of RUS loans
72					
73	IV PATRONAGE CAPITAL CREDITS (Income) - Line 35	56,051	81,361	25,310	Increase in capital credits income received from associated cooperatives
74					
75					
76		TOTAL NET OPERATING MARGINS	1,626,325	2,731,543	Increase in margin
77					
78					

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF OPERATIONS BUDGET TO ACTUAL
DETAILED BREAKOUT OF NOTABLE DRIVERS

		A.	B.	C.	D.	
		Budget	Actual	Budget		
		Period End	Period End	Variance		
		12/31/2016	12/31/2016	(B - A)	Comments: Budget To Actual (Column C.)	
79	V	NON-OPERATING MARGINS	352,670	330,715	(21,955)	Decrease in margin
80						
81		Interest and Dividend Income - Line 40 combined with Line 50	332,289	217,758	(114,531)	Decrease in income - RIC paid back start up loan earlier than anticipated
82						
83		Other Income - Line 41 combined with Line 51	20,381	112,957	92,576	Increase in income
84		Non Oper Income - RIC Use of OPALCO Communications Infrastructure		87,873		RIC use of communication infrastructure (offset by Subsidiary Charges on line 59)
85		Multiple Accounts		4,703		Variance among multiple general ledger accounts (5 accounts)
86		Subtotal Other Income		92,576		
87						
88		TOTAL OPALCO NON-OPERATING MARGINS	352,670	330,715	(21,955)	Increase in margin
89						
90						
91		TOTAL OPALCO NET MARGIN DETAIL BREAKOUT	1,978,995	3,062,258	1,083,263	Increase in margin

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BALANCE SHEET

	A. Audited Year End 12/31/2012	B. Audited Year End 12/31/2013	C. Audited Year End 12/31/2014	D. Audited Year End 12/31/2015	E. Actual Period End 12/31/2016	F. Change (E - D)
1 ASSETS						
2						
3 UTILITY PLANT, at cost						
4 Electric plant in service	\$ 82,840,443	\$ 86,319,230	\$ 91,153,200	\$ 100,576,686	\$ 105,702,896	\$ 5,126,210
5 Construction work in progress	1,438,043	2,456,829	5,696,090	3,434,810	12,489,462	9,054,652
6						
7	84,278,486	88,776,059	96,849,290	104,011,496	118,192,358	14,180,862
8 Less accumulated depreciation and amortization	34,068,592	36,237,594	38,650,755	41,160,577	44,622,436	3,461,859
9						
10 Net utility plant	50,209,894	52,538,465	58,198,535	62,850,919	73,569,921	10,719,002
11						
12 OTHER PROPERTY AND INVESTMENT, at cost						
13						
14 Island Network (department only) (Note 1)	252,854	426,272	74,891	-	-	-
15 Opalco non-utility property	-	-	-	-	-	-
16						
17	252,854	426,272	74,891	-	-	-
18 Investments in associated organizations						
19 Other	929,141	941,203	1,063,004	1,093,965	1,125,332	31,367
20 Non-utility investment subsidiary (Note 2)	-	-	-	5,249,879	(2,389,473)	(7,639,352)
21 Total investments in associated organizations	929,141	941,203	1,063,004	6,343,844	(1,264,141)	(7,607,985)
22						
23 Other property and investments	1,181,995	1,367,476	1,137,895	6,343,844	(1,264,141)	(7,607,985)
24						
25 CURRENT ASSETS						
26 Cash and cash equivalents	2,091,466	797,873	2,254,475	1,697,386	3,906,844	2,209,458
27 Cash and cash equivalents - board designated	2,002,236	2,006,348	1,279,616	-	-	-
28 Accounts receivable, less doubtful accts allowance	2,388,170	3,146,966	3,036,986	3,558,213	3,610,821	52,608
29 Interest receivable	6,848	7,394	6,330	6,140	9,386	3,246
30 Materials and supplies	1,502,931	2,141,563	2,720,342	3,341,939	3,711,223	369,284
31 Prepaid expenses	115,232	122,451	586,081	311,801	349,741	37,940
32						
33 Total current assets	8,106,884	8,222,594	9,883,830	8,915,479	11,588,015	2,672,536
34						
35 DEFERRED CHARGES	-	-	50,371	-	-	-
36						
37 Total assets	\$ 59,498,772	\$ 62,128,535	\$ 69,270,631	\$ 78,110,242	\$ 83,893,795	\$ 5,783,553

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BALANCE SHEET

	A. Audited Year End 12/31/2012	B. Audited Year End 12/31/2013	C. Audited Year End 12/31/2014	D. Audited Year End 12/31/2015	E. Actual Period End 12/31/2016	F. Change (E - D)
38						
39	EQUITIES, MARGINS, AND LIABILITIES					
40						
41	EQUITIES AND MARGINS					
42	Memberships	\$ 54,800	\$ 55,655	\$ 56,880	\$ 56,905	\$ 510
43	Patronage capital - OPALCO	37,473,607	37,250,119	36,348,023	38,334,633	1,204,412
44	Patronage capital - Island Network department	-	-	(220,088)	-	-
45	Donated and other equities					
46	OPALCO donated & other margins	3,643,203	4,024,439	4,477,375	5,403,526	639,586
47	Subsidiary margins	-	-	(1,780,113)	(4,517,947)	(2,737,834)
48						
49	Total equities and margins	41,171,610	41,330,213	40,662,189	39,277,116	(893,326)
50						
51	LONG-TERM DEBT, less current maturities					
52	RUS mortgage notes	12,769,260	14,982,671	22,446,072	31,370,096	6,275,522
53	RUS economic development	-	-	72,663	48,651	(16,008)
54	CFC mortgage notes	2,693,103	2,575,694	2,468,531	8,812,642	(8,875)
55						
56	Total long-term debt	15,462,363	17,558,365	24,987,266	40,231,389	6,250,640
57						
58	OTHER NONCURRENT LIABILITIES					
59		-	-	-	53,775	53,775
60	Total long-term liabilities	15,462,363	17,558,365	24,987,266	40,285,163	6,304,415
61						
62	CURRENT LIABILITIES					
63	Accounts payable	1,297,200	1,732,736	1,931,399	1,692,979	(72,458)
64	Customer deposits	77,002	86,161	91,717	89,928	7,551
65	Accrued liabilities	854,196	696,741	751,049	1,144,751	432,633
66	Current maturities of long-term debt	479,289	555,793	663,885	1,092,588	(89,015)
67	Current maturities capital leases	-	-	-	29,332	29,332
68						
69	Total current liabilities	2,707,686	3,071,431	3,438,051	4,049,578	308,043
70						
71	DEFERRED CREDITS					
72		157,113	168,527	183,124	281,938	64,421
73	Total equities and liabilities	\$ 59,498,772	\$ 62,128,535	\$ 69,270,631	\$ 83,893,795	\$ 5,783,553
74						

75 Note:

76 1 Combination of all balance sheet accounts for Island Network (department only).

77 2 Investment in subsidiary consists of OPALCO's invested dollars in Island Network LLC (+\$2,128,475 of IN department assets transferred to new entity) LESS IN LLC's cumulative net decifit of (\$4,517,947) seen on line 47.

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF CASH FLOW

NON GAAP

		A.	B.	C.	D.
Note: All numbers in (1000s)		Year-End	Approved	Actual	
		12/31/2015	Budget	12/31/2016	Variance
			12/31/2016		
1	% Rate Increase		5%		
2	OPERATING ACTIVITIES:				
3	Margins	\$ 1,900	\$ 2,000	\$ 3,100	\$ 1,100
4	Plus depreciation/amortization	3,300	3,700	3,500	(200)
5	Cash flow operations	5,200	5,700	6,600	900
6					
7	PLANT INVESTMENT (NET)				
8	Plant investment (including material inventory)	(12,800)	(12,800)	(14,900)	(2,100)
9	Cash flow from operations and plant investment	(7,600)	(7,100)	(8,300)	(1,200)
10					
11	CASH FLOWS FROM PATRONAGE CAPITAL	(500)	(800)	(1,300)	(500)
12	Cash flow before borrowings	(8,100)	(7,900)	(9,600)	(1,700)
13					
14	NET BORROWINGS	12,700	11,600	6,200	(5,400)
15	RIC repayment of start-up loan	-	-	7,200	7,200
16	Cash increase (decrease) after net borrowings	\$ 4,600	\$ 3,700	\$ 3,800	\$ 100
17					
18					
19	OUTSTANDING DEBT BALANCE	(35,200)	(50,000)	(41,400)	8,600
20					
21	EQUITY BALANCE	40,900	41,900	39,300	(2,600)
22					
23	NET UTILITY PLANT	67,100	75,800	73,600	(2,200)
24					
25	CFC		2,600	-	(2,600)
26	RUS		10,600	8,700	(1,900)
27	Total New Borrowing		13,200	8,700	(4,500)

ORCAS POWER AND LIGHT COOPERATIVE

STATEMENT OF CASH FLOW
 GAAP

	A. Audited Year End 12/31/2012	B. Audited Year End 12/31/2013	C. Audited Year End 12/31/2014	D. Audited Year End 12/31/2015	E. Actual Period End 12/31/2016
1 CASH FLOWS FROM OPERATING ACTIVITIES					
2 Net margins	\$ 814,524	\$ 971,520	\$ 121,951	\$ 1,858,322	\$ 3,062,257
3 Adjustments to reconcile net margin to cash					
4 from operating activities					
5 Depreciation and amortization	2,652,194	2,719,561	2,975,650	3,308,154	3,546,977
6 Changes in assets and liabilities					
7 Accounts receivable	302,378	(758,796)	109,980	(521,227)	(52,608)
8 Interest receivable	(354)	(546)	1,064	190	(3,245)
9 Prepaid expenses	(11,583)	(7,219)	(463,630)	274,279	(37,939)
10 Accounts payable	(251,253)	435,535	198,663	(165,962)	(72,458)
11 Customer deposits	9,080	9,160	5,557	(9,340)	7,551
12 Accrued liabilities	(83,731)	(157,453)	54,308	(38,931)	432,633
13 Deferred credits	32,073	11,414	14,598	34,392	64,421
14					
15 Net cash from operating activities	3,463,329	3,223,176	3,018,141	4,739,878	6,947,587
16					
17 CASH FLOWS FROM INVESTING ACTIVITIES					
18 Additions to utility plant, net	(3,930,981)	(5,632,016)	(9,831,711)	(8,597,475)	(15,199,049)
19 Reduction to non-utility plant (Island Network transition)	(58,452)	(173,419)	351,381	74,891	-
20 Change in materials and supplies	(169,273)	(638,632)	(578,779)	(621,597)	(369,284)
21 (Increase) decrease in investment in Subsidiary	-	-	-	(5,249,879)	7,639,352
22 (Increase) decrease in other OPALCO property and investments, net	(20,950)	(12,063)	(121,801)	(30,961)	(31,367)
23					
24 Net cash from investing activities	(4,179,656)	(6,456,130)	(10,180,909)	(14,425,021)	(7,960,347)
25					
26 CASH FLOWS FROM FINANCING ACTIVITIES					
27 Payments on long-term debt (Note 1)	(368,319)	(1,027,495)	156,993	(4,347,789)	(2,497,268)
28 Proceeds from debt	1,500,000	3,200,000	7,380,000	13,858,989	8,742,000
29 Memberships	(5,705)	855	1,225	(485)	510
30 Retirements of patronage capital, net	(692,057)	(813,770)	(791,199)	(569,472)	(1,218,259)
31 Change in subsidiary equities	-	-	-	(1,780,113)	(2,737,834)
32 Contributions in aid of construction	321,715	583,883	1,145,619	687,308	933,069
33 Other changes in equities	-	-	-	-	-
34					
35 Net cash from financing activities	755,634	1,943,473	7,892,638	7,848,438	3,222,218
36					
37 NET CHANGE IN CASH	39,307	(1,289,481)	729,870	(1,836,705)	2,209,458
38					
39 CASH AND CASH EQUIVALENTS, beginning of year/period	4,054,395	4,093,702	2,804,221	3,534,091	1,697,386
40					
41 CASH AND CASH EQUIVALENTS, end of year/period	4,093,702	2,804,221	3,534,091	1,697,386	3,906,844
42					
43 SUPPLEMENTAL DISCLOSURES					
44 Cash paid for interest	\$ 759,686	\$ 786,193	\$ 908,934	\$ 1,234,621	\$ 1,085,134
45 OUTSTANDING DEBT BALANCE	(15,941,652)	(18,114,158)	(25,651,151)	(35,162,351)	(41,377,751)
46 Notes:					
47 1 Includes Economic Development loan from RUS and is offset by RUS Cushion of Credit balance of 2014: \$235k, 2015: \$127k, 2016: \$1.7M					

ORCAS POWER AND LIGHT COOPERATIVE

CAPITAL PROJECTS SUMMARY

			A.	B.	C.	D.	G.
			Audited	Budget	Actual	Budget	
			Year End	Year End	Year End	Variance	
			12/31/2015	12/31/2016	12/31/2016	(C - B)	
RUS CWP DESCRIPTION							Comments
1	DISTRIBUTION						
2	100	New Services (Member Funded)	\$ 221,770	\$ 170,000	\$ 384,240	\$ 214,240	New Services are accelerating (Offset to Line 40). Prior to recession, the new services amounted to ~\$1M
3	200	New Tie Lines (Line for loop feeds and redundancy)	147,776	-	(13,438)	(13,438)	
4	300	Conversions and Line Changes	528,776	975,000	679,000	(296,000)	Construction of Buck Mountain was pushed to 2017 due to county road projects and URD replacement opportunities
5	400	New Substations, switching station, metering point, etc.	-	-	-	-	
6	500	Substation, Switching Station, Metering Point Changes	145	-	2,443	2,443	
7	600	Miscellaneous Distribution Equipment					
8	601	Transformers & Meters	627,342	500,000	671,830	171,830	Increased meter and transformers purchases for new services (Offset to Line 41 - \$398,561)
9	602	Sets of Service Wires to increase Capacity	-	-	-	-	
10	603	Sectionalizing Equipment	101,557	255,000	(185,844)	(440,844)	Inventory adjustment due to accounting methodology change of \$215k and work site preparation amounting in \$29k
11	604	Regulators	15,911	325,000	-	(325,000)	Delay in installation of regulator bank for Orcas Substation to 2017
12	605	Capacitors	-	-	-	-	
13	606	Ordinary Replacements	170,439	275,000	291,336	16,336	
14	608	Underground Dist. Cable Replacement	2,127,270	2,285,000	3,137,344	852,344	Additional open trenches in franchise areas and joint projects allowed for conduit installation opportunities
15	700	Other Distribution Items					
16	701	Engineering Fees	-	-	-	-	
17	704	LMS & SCADA	32,715	45,000	87,054	42,054	Network segregation of SCADA accelerated with communication infrastructure buildout. Additional SCADA Licensing required
18	705	AMR	-	-	-	-	
19	706	Communications					
20	706.0	Island Network	-	-	-	-	
21	706.1	Fiber/Microwave Infrastructure	2,528,428	2,400,000	2,694,821	294,821	Additional open trenches in franchise areas allowed us to accelerate fiber deployment originally planned in future years
22	TRANSMISSION						
23	800	New Tie Line	-	-	-	-	
24	900	New Substations, switching station, metering point, etc.	443	600,000	68,174	(531,826)	Delay in arrival of terminations for submarine cable (Sumitomo). Work to be conducted beginning March 2017
25	1000	Line and Station Changes	900,338	3,025,000	6,229,978	3,204,978	Second and third progress payment to Sumitomo for submarine cable project paid in 2016 in lieu of 2015. Project and payments now on schedule
26	1100	Other Transmission	-	-	-	-	
27	GENERATION						
28	1200	Generation	-	-	-	-	
29	OTHER						
30	1300	Headquarters Facilities	409,976	124,000	178,301	54,301	Board approved additional budget funding (up to \$100k) for security measures to the Eastsound Office (February 2016)
31	1400	Acquisitions	-	-	-	-	
32	1500	All Other (Transportation, Etc.)					
33	1501	Transportation/Equipment/Tools/Radios	335,842	463,000	604,272	141,272	Bucket truck cost more than anticipated (\$50k). Unexpected service truck replacement required (\$80k)
34	1502	Office Equipment/Furniture/Etc.	70,727	30,000	44,740	14,740	
35	1503	Computer/Servers/Software	283,254	262,000	339,289	77,289	Firewall failure, equipment replacement and resulting configuration
36	1504	Electrical Infrastructure to Support Community Solar	-	300,000		(300,000)	Board consensus to delay community solar project to 2018 until submarine cable project is complete,. (Offset to Line 45)
37	1600	Minor Projects	94,343	90,000	205,310	115,310	County accelerated Deer Harbor Bridge Project ³ (Offset to Line 42 - \$38,549)
38	RUS CWP SUBTOTAL		8,597,052	12,124,000	15,418,851	3,294,851	
39	CONTRIBUTION IN AID OF CONSTRUCTION (CIAC)						
40		New Services	(181,922)	(196,000)	(495,959)	(299,959)	145 open work efforts (93 last year) (Offset to Line 2)
41		Meters and Transformers	(176,241)	(122,000)	(398,561)	(276,561)	Offset to Line 8
42		Joint Projects	(329,145)	-	(38,549)	(38,549)	Offset to Line 37
43		Island Network Department	-	-	-	-	
44		WA DOC Grant Funding	-	-	-	-	
45		Community Solar	-	(300,000)	-	300,000	Offset to Line 36
46	RUS CWP NET TOTAL		7,909,744	11,506,000	14,485,782	2,979,782	
47	Notes:						
48	1	\$269,746 in Allowance for Funds Used During Construction (AFUDC). This cost is embedded in the associated projects listed above for capitalization purposes.					
49	2	\$83,730 in Environmental Consulting. This cost is embedded in the associated projects listed above for capitalization purposes.					
50	3	Franchise Agreement area projects initiated by the county requires OPALCO to relocate facilities at own expense per the county's schedule.					

ORCAS POWER AND LIGHT COOPERATIVE

SALES AND USAGE REPORT

	A. Year to Date Total	B. January	C. February	D. March	E. April	F. May	G. June	H. July	I. August	J. September	K. October	L. November	M. December	N. Total
1	HEATING DEGREE DAYS (HDD)													
2	Budget HDD	1,050	199	96	114	114	32	8	-	2	25	19	153	288
3	Actual HDD	983	218	130	104	44	24	7	1	1	8	18	51	377
4	Variance	(67)	19	34	(10)	(70)	(8)	(1)	1	(1)	(17)	(1)	(102)	89
5														
6	ENERGY USAGE (kWh)													
7	Residential													
8	Budget	132,670,573	16,270,717	12,596,005	12,763,312	11,158,171	8,824,253	7,405,535	7,907,182	8,021,100	8,600,505	9,411,926	13,202,247	16,509,618
9	Actual	137,671,475	20,153,166	12,531,268	13,050,227	10,191,860	7,299,162	7,710,604	8,330,361	7,495,237	8,001,952	10,165,241	11,879,617	20,862,780
10	Variance (Budget to Actual)	5,000,902	3,882,449	(64,737)	286,915	(966,311)	(1,525,091)	305,069	423,179	(525,863)	(598,553)	753,315	(1,322,630)	4,353,162
11														
12	Commercial													
13	Budget	54,601,789	5,070,281	4,221,592	4,574,273	4,484,882	4,100,568	4,031,288	4,499,212	4,534,398	4,308,012	4,453,835	5,013,388	5,310,059
14	Actual	57,022,200	6,407,197	4,905,285	5,052,663	4,170,302	3,830,784	3,912,262	4,405,675	4,535,466	4,110,205	4,338,319	4,685,167	6,668,875
15	Variance (Budget to Actual)	2,420,411	1,336,916	683,693	478,390	(314,580)	(269,784)	(119,026)	(93,537)	1,068	(197,807)	(115,516)	(328,221)	1,358,816
16														
17	Energy Usage (kWh)													
18	Budget	187,272,362	21,340,998	16,817,597	17,337,586	15,643,052	12,924,821	11,436,824	12,406,394	12,555,497	12,908,517	13,865,762	18,215,636	21,819,678
19	Actual	194,693,675	26,560,363	17,436,553	18,102,890	14,362,162	11,129,946	11,622,866	12,736,036	12,030,703	12,112,157	14,503,560	16,564,784	27,531,655
20	Variance (Budget to Actual)	7,421,313	5,219,365	618,956	765,304	(1,280,890)	(1,794,875)	186,042	329,642	(524,794)	(796,360)	637,798	(1,650,852)	5,711,978
21														
22	SALES REVENUE (kWh)													
23	Residential													
24	Budget	17,738,393	2,105,403	1,631,551	1,664,814	1,475,985	1,199,190	1,036,031	1,122,313	1,138,969	1,194,039	1,287,253	1,744,054	2,138,790
25	Actual	18,104,756	2,277,656	1,542,829	1,673,108	1,375,086	1,179,664	1,154,384	1,241,857	1,181,509	1,168,055	1,407,457	1,503,798	2,399,354
26	Variance (Budget to Actual)	366,363	172,253	(88,722)	8,294	(100,900)	(19,526)	118,353	119,543	42,540	(25,983)	120,204	(240,256)	260,564
27														
28	Commercial													
29	Budget	6,664,281	668,811	554,405	593,938	564,720	486,925	457,533	498,458	499,839	489,759	522,128	629,290	698,475
30	Actual	6,428,967	669,195	535,977	572,936	489,039	467,062	430,925	494,084	539,148	479,754	510,233	515,913	724,700
31	Variance (Budget to Actual)	(235,314)	385	(18,429)	(21,002)	(75,682)	(19,864)	(26,608)	(4,373)	39,309	(10,004)	(11,895)	(113,376)	26,225
32														
33	Combined kWh Sales Revenue													
34	Budget	24,402,674	2,774,214	2,185,956	2,258,752	2,040,706	1,686,116	1,493,564	1,620,771	1,638,808	1,683,797	1,809,381	2,373,344	2,837,265
35	Actual	24,533,723	2,946,852	2,078,805	2,246,045	1,864,124	1,646,726	1,585,309	1,735,941	1,720,657	1,647,810	1,917,690	2,019,711	3,124,053
36	Variance (Budget to Actual)	131,049	172,638	(107,151)	(12,708)	(176,582)	(39,390)	91,745	115,170	81,849	(35,988)	108,308	(353,633)	286,789
37														
38	NOTE: Excluded Other Revenue and Revenues that are not usage based.													

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION WA0009
	PERIOD ENDED December, 2016
	BORROWER NAME Orcas Power & Light Cooperative

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

☐ All of the obligations under the RUS loan documents have been fulfilled in all material respects.

☐ There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	24,581,918	25,249,029	24,833,155	3,213,123
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	7,787,142	7,942,885	7,624,980	1,098,539
4. Transmission Expense	179,264	94,462	53,560	26,985
5. Regional Market Expense	0	0	0	0
6. Distribution Expense - Operation	3,391,150	3,215,893	3,420,263	272,079
7. Distribution Expense - Maintenance	1,713,924	1,692,345	1,702,147	(10,174)
8. Customer Accounts Expense	893,766	947,326	930,975	71,815
9. Customer Service and Informational Expense	750,701	182,710	504,591	45,095
10. Sales Expense	43,296	33,906	50,490	4,001
11. Administrative and General Expense	2,839,739	2,704,970	2,908,793	194,726
12. Total Operation & Maintenance Expense (2 thru 11)	17,598,982	16,814,497	17,195,799	1,703,066
13. Depreciation and Amortization Expense	3,308,154	3,546,977	3,673,019	306,976
14. Tax Expense - Property & Gross Receipts	188,790	241,993	194,454	20,608
15. Tax Expense - Other	857,836	895,065	833,633	99,952
16. Interest on Long-Term Debt	1,234,621	1,365,062	1,654,190	116,579
17. Interest Charged to Construction - Credit	(187,373)	(269,746)	(293,602)	(32,913)
18. Interest Expense - Other	0	0	0	0
19. Other Deductions	5,080	5,000	5,387	0
20. Total Cost of Electric Service (12 thru 19)	23,006,090	22,598,848	23,262,880	2,214,268
21. Patronage Capital & Operating Margins (1 minus 20)	1,575,828	2,650,181	1,570,275	998,855
22. Non Operating Margins - Interest	127,804	217,758	332,289	10,484
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	71,081	112,957	20,381	9,449
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	83,608	81,361	56,051	14,122
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	1,858,321	3,062,257	1,978,996	1,032,910

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION WA0009		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December , 2016		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	145	155	5. Miles Transmission	42.65	42.65
2. Services Retired	0	0	6. Miles Distribution – Overhead	156.03	154.80
3. Total Services in Place	15,009	15,164	7. Miles Distribution - Underground	1,139.98	1,142.16
4. Idle Services (Exclude Seasonals)	1,185	1,214	8. Total Miles Energized (5 + 6 + 7)	1,338.66	1,339.61
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	105,702,896		30. Memberships	56,905	
2. Construction Work in Progress	12,436,771		31. Patronage Capital	35,272,375	
3. Total Utility Plant (1 + 2)	118,139,667		32. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	44,569,745		33. Operating Margins - Current Year	2,949,300	
5. Net Utility Plant (3 - 4)	73,569,922		34. Non-Operating Margins	112,957	
6. Non-Utility Property (Net)	0		35. Other Margins and Equities	885,578	
7. Investments in Subsidiary Companies	(2,389,473)		36. Total Margins & Equities (30 thru 35)	39,277,115	
8. Invest. in Assoc. Org. - Patronage Capital	515,573		37. Long-Term Debt - RUS (Net)	0	
9. Invest. in Assoc. Org. - Other - General Funds	7,000		38. Long-Term Debt - FFB - RUS Guaranteed	33,071,203	
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	558,274		39. Long-Term Debt - Other - RUS Guaranteed	0	
11. Investments in Economic Development Projects	43,333		40. Long-Term Debt Other (Net)	8,812,642	
12. Other Investments	1,152		41. Long-Term Debt - RUS - Econ. Devel. (Net)	48,651	
13. Special Funds	213,665		42. Payments – Unapplied	1,701,107	
14. Total Other Property & Investments (6 thru 13)	(1,050,476)		43. Total Long-Term Debt (37 thru 41 - 42)	40,231,389	
15. Cash - General Funds	1,239,649		44. Obligations Under Capital Leases - Noncurrent	53,775	
16. Cash - Construction Funds - Trustee	30,662		45. Accumulated Operating Provisions and Asset Retirement Obligations	0	
17. Special Deposits	0		46. Total Other Noncurrent Liabilities (44 + 45)	53,775	
18. Temporary Investments	2,422,868		47. Notes Payable	0	
19. Notes Receivable (Net)	0		48. Accounts Payable	1,692,981	
20. Accounts Receivable - Sales of Energy (Net)	2,328,436		49. Consumers Deposits	89,928	
21. Accounts Receivable - Other (Net)	137,784		50. Current Maturities Long-Term Debt	1,084,583	
22. Renewable Energy Credits	0		51. Current Maturities Long-Term Debt - Economic Development	8,004	
23. Materials and Supplies - Electric & Other	3,711,223		52. Current Maturities Capital Leases	29,332	
24. Prepayments	349,741		53. Other Current and Accrued Liabilities	1,144,751	
25. Other Current and Accrued Assets	1,153,987		54. Total Current & Accrued Liabilities (47 thru 53)	4,049,579	
26. Total Current and Accrued Assets (15 thru 25)	11,374,350		55. Regulatory Liabilities	0	
27. Regulatory Assets	0		56. Other Deferred Credits	281,938	
28. Other Deferred Debits	0		57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	83,893,796	
29. Total Assets and Other Debits (5+14+26 thru 28)	83,893,796				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION WA0009
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PART D. NOTES TO FINANCIAL STATEMENTS	

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PART D. CERTIFICATION LOAN DEFAULT NOTES	

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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE			BORROWER DESIGNATION WA0009				
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			PERIOD ENDED December, 2016				
INSTRUCTIONS - See help in the online application.							
PART E. CHANGES IN UTILITY PLANT							
PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)		
1. Distribution Plant	65,484,094	2,477,658	253,437		67,708,315		
2. General Plant	12,776,417	2,708,805	40,702		15,444,520		
3. Headquarters Plant	2,707,240	171,470			2,878,710		
4. Intangibles	1,539,562				1,539,562		
5. Transmission Plant	18,036,209	71,629	9,214		18,098,624		
6. Regional Transmission and Market Operation Plant							
7. All Other Utility Plant	33,163				33,163		
8. Total Utility Plant in Service (1 thru 7)	100,576,685	5,429,562	303,353		105,702,894		
9. Construction Work in Progress	3,425,775	9,010,996			12,436,771		
10. Total Utility Plant (8 + 9)	104,002,460	14,440,558	303,353		118,139,665		
PART F. MATERIALS AND SUPPLIES							
ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	3,341,939	2,093,094	6,875	2,166,588		435,903	3,711,223
2. Other	0						0
PART G. SERVICE INTERRUPTIONS							
ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE					TOTAL (e)	
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)			
1. Present Year			23,700	284,300	308,000		
2. Five-Year Average	174,000	101,000	24,000	90,000	389,000		
PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS							
1. Number of Full Time Employees	51	4. Payroll - Expensed				3,463,519	
2. Employee - Hours Worked - Regular Time	107,515	5. Payroll - Capitalized				705,382	
3. Employee - Hours Worked - Overtime	3,858	6. Payroll - Other				670,514	
PART I. PATRONAGE CAPITAL							
ITEM	DESCRIPTION			THIS YEAR (a)	CUMULATIVE (b)		
1. Capital Credits - Distributions	a. General Retirements			1,635,500	9,243,543		
	b. Special Retirements			222,346	4,279,728		
	c. Total Retirements (a + b)			1,857,846	13,523,271		
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power			0			
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System			81,361			
	c. Total Cash Received (a + b)			81,361			
PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE							
1. Amount Due Over 60 Days	\$	11,352	2. Amount Written Off During Year	\$	13,955		
ENERGY EFFICIENCY AND CONSERVATION LOAN PROGRAM							
1. Anticipated Loan Delinquency %				4. Anticipated Loan Default %			
2. Actual Loan Delinquency %				5. Actual Loan Default %			
3. Total Loan Delinquency Dollars YTD	\$				6. Total Loan Default Dollars YTD	\$	

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PART K. kWh PURCHASED AND TOTAL COST									
No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Bonneville Power Admin	1738			208,313,020	8,077,902	3.88		
2	*Miscellaneous	700000	Net Metering	Hydro	37,374	1,804	4.83		
3	*Adjustments	600000	BPA Settlement	Hydro		(136,821)	0.00		
	Total				208,350,394	7,942,885	3.81		

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PART K. kWh PURCHASED AND TOTAL COST			
No	Comments		
1			
2			
3			

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INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2016	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
1	Dell Financial Services	Computer Hardware/Software	4,889
	TOTAL		4,889

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FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December , 2016	
INSTRUCTIONS - See help in the online application.			
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 4/30/2016	2. Total Number of Members 11,268	3. Number of Members Present at Meeting 237	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 2,316	6. Total Number of Board Members 7	7. Total Amount of Fees and Expenses for Board Members \$ 124,111	8. Does Manager Have Written Contract? Y

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INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2016		
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	0	0	0	0
2	National Rural Utilities Cooperative Finance Corporation	8,812,642	379,567	477,937	857,504
3	CoBank, ACB				
4	Federal Financing Bank	33,071,203	985,494	520,230	1,505,724
5	RUS - Economic Development Loans	48,651		8,004	8,004
6	Payments Unapplied	1,701,107			
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans				
9	Principal Payments Received from Ultimate Recipients of EE Loans				
10	Dell Financial Services	53,775	0	4,889	4,889
	TOTAL	40,285,164	1,365,061	1,011,060	2,376,121

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FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December, 2016		
INSTRUCTIONS - See help in the online application.				
PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY				
CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	13,084	13,025	
	b. kWh Sold			137,671,475
	c. Revenue			18,385,631
2. Residential Sales - Seasonal	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	2,074	2,061	
	b. kWh Sold			56,581,495
	c. Revenue			6,712,197
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
6. Public Street & Highway Lighting	a. No. Consumers Served	6	6	
	b. kWh Sold			68,742
	c. Revenue			56,983
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. Total No. of Consumers (lines 1a thru 9a)		15,164	15,092	
11. Total kWh Sold (lines 1b thru 9b)				194,321,712
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				25,154,811
13. Transmission Revenue				
14. Other Electric Revenue				94,218
15. kWh - Own Use				440,705
16. Total kWh Purchased				208,350,394
17. Total kWh Generated				
18. Cost of Purchases and Generation				8,037,347
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident <input checked="" type="checkbox"/> Coincident <input type="checkbox"/>				62,486

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FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			PERIOD ENDED December, 2016			
INSTRUCTIONS - See help in the online application.						
PART P. ENERGY EFFICIENCY PROGRAMS						
CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	1,117	273,479	966	3,939	2,227,373	9,859
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	289	127,500	1,075	471	1,136,521	9,239
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	1,406	400,979	2,041	4,410	3,363,894	19,098

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<p>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE</p> <p>FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS</p>	<p>BORROWER DESIGNATION WA0009</p> <p>PERIOD ENDED December, 2016</p>
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INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)					
No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
2	Investments in Associated Organizations				
	Misc. Memberships	6,000	1,000		
	Misc. Patronage Capital	88,602	249,780	14,122	
	Federated Rural Electric Stock Certificate	177,191		38,256	
	CFC Capital Term Certificate		558,274	28,983	
	Investment in Subsidiary	(2,389,473)			
	Totals	(2,117,680)	809,054	81,361	
3	Investments in Economic Development Projects				
	Investment in Economic Development Project	43,333			X
	Totals	43,333			
4	Other Investments				
	Computershare	1,152			
	Totals	1,152			
5	Special Funds				
	Islanders Bank (Project PAL and MORE)		213,665		
	Totals		213,665		
6	Cash - General				
	Key Bank		(44,553)		
	Islanders Bank	612,925	250,000		
	Wells Fargo	170,677	250,000		
	Petty Cash	600			
	Totals	784,202	455,447		
8	Temporary Investments				
	Washington Federal Savings	119,295	100,000		
	CFC Commercial Paper	0	1,099,464		
	Home Street Bank	6,064	100,000		
	CoBank		151,941		
	CFC Select Notes		846,104		
	Totals	125,359	2,297,509		
9	Accounts and Notes Receivable - NET				
	Custom Orders	138,227			
	AR Employees	(443)			
	Totals	137,784			
11	TOTAL INVESTMENTS (1 thru 10)	(1,025,850)	3,775,675	81,361	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION WA0009 PERIOD ENDED December, 2016
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INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION II. LOAN GUARANTEES					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Island Network LLC	4/30/2017	2,000,000	2,000,000	
2	Island Network LLC	4/20/2036	1,240,000	1,240,000	
3	Island Network LLC	4/20/2036	7,500,000	7,500,000	
	TOTAL		10,740,000	10,740,000	
	TOTAL (Included Loan Guarantees Only)				

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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION WA0009			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		PERIOD ENDED December, 2016			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
SECTION III. RATIO					
RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]					-0.87 %
SECTION IV. LOANS					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	TOTAL				

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